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The G-5: meaning and mission

Within days of this publication's coming to New York, the finance ministers of five (G-5) leading industrial countries gathered in London and announced that dollar exchange rates had become misaligned. By late October it was fairly obvious that Japanese GNP would grow 7% ahead of German growth and other EMS economies. Japanese savings, for many years, had been running at twice the rate of Germany's. Japan's trade surplus had been growing at twenty times the rate of Germany's. Japanese inflation was running 2½% behind German inflation. Japanese interest rates were 3½% below German rates. Japanese unemployment was 2½% below German unemployment. Japanese productivity was growing 2½% faster than German productivity. Japanese unit labor costs were rising 4½% slower than German unit labor costs. Japanese exports were growing 10% faster than German exports. Japanese imports were growing 10% slower than German imports. Japan's current account surplus was running at $50 billion annual rate, while Germany's current account was in deficit. Japan's trade surplus with the United States was running at a $50 billion annual rate, while Germany's trade with the United States was in balance. Japan's trade surplus with the United States was growing at a 20% annual rate, while Germany's trade with the United States was declining at a 10% annual rate.

Yet the yen-dollar exchange rate was about the same as the mark-dollar rate. Why should the yen and the mark have moved in tandem against the dollar when the economic fundamentals were so different? Why should the yen have appreciated against the dollar by 40% since 1980, while the mark appreciated by only 20%? Why should the yen and the mark have appreciated against the dollar by 20% since 1982, while the yen appreciated by 40% against the mark? Why should the yen and the mark have appreciated against the dollar by 40% since the 1980 peak, while the mark appreciated by only 20% against the dollar? Why should the yen and the mark have appreciated against the dollar by 20% since 1982, while the yen appreciated by 40% against the mark? Why should the yen and the mark have appreciated against the dollar by 40% since the 1980 peak, while the mark appreciated by only 20% against the dollar?

Table 1

Dollar exchange rates

Units per dollar, except as noted

	Oct. 28, 1985	Nov. 1, 1985	Change from Oct. 28	Change from Nov. 1, 1984
Nominal effective dollar*	115.8	117.1	+1.1%	+11.7%
Real effective dollar*	111.1	112.3	+1.1	+11.2
Japanese yen	213.4	214.0	+0.3%	+14.2%
Canadian dollar	1.37	1.37	0.0	+1.9
German mark	2.64	2.65	+0.4%	−7.1%
French franc	8.52	8.54	+0.2%	−7.1%
British pound**	1.41	1.43	+1.4%	−4.1%
Italian lira	1762	1763	+0.1%	−7.1%

*1980-82=100
**Dollars per pound

At no point this year has the dollar shown any tendency toward free fall; its descent since February has been orderly and well managed. Bearish sentiment has not broken

sion and interest rate declines are breeding some pickup in U.S. economic growth — from an annualized 2.2% these past five quarters to almost 3% during 1986 — roughly matching growth elsewhere in the OECD economies.

Europe's growth is shaping up to be slightly stronger this year than in 1983-84. For 1986, with the help of scheduled tax cuts, Germany should manage 3% real GNP expansion — perhaps even a little more — versus a disappointing 2.2% this year. German growth is coming to rely more on domestic investment and consumption now on the exports that have driven recovery hitherto. The French economy also should achieve noticeably faster growth in the year ahead. However, Britain and Italy are likely to slow, as will several of the smaller European economies. Japan should be able to grow faster than the United States or Europe. Nonetheless, as discussed in the following article, Japan's growth is faltering and could be substantially lower in 1986 than in 1985. Indeed, it could be substantially lower unless the government does more to stimulate domestic demand. The October measures are unlikely to replace much of the past three years' stimulus from exports.

To complete the U.S. trade deficit is a negative for the dollar. However, that market fact has been discounted. Besides, the deficit is no longer conspicuously widening. Until mid-year, predictions were commonplace that the full-year deficit would surpass $150 billion. Instead, it now may come close to $135 billion. July and August saw the deficit contract to a monthly rate of around $11 billion, compared with the June record of $13.4 billion. The narrowing owed nothing to the dollar's decline or better U.S. export performance. Instead, it reflected broad-based declines in U.S. imports of both oil and manufactured goods. As the U.S. economy strengthens, the trade deficit will likely widen once again, at least for a time.

More immediately important for the dollar, between May and late October there was no narrowing of the short-term interest rate differentials buoying the currency (see Table 3). Long-term differentials were even more supportive. While U.S. rates firmed this summer, European interest rates eased considerably. Moreover, at least until Japan's recent interest rate moves, the September G-5 announcement changed the situation little.

Although U.S. interest rates are widely judged high in real terms, the Federal Reserve has been reluctant to push rates lower. Chairman Volcker has repeatedly expressed his concern about above-target expansion of M1 money supply; an already steep yield curve poses another obstacle; and there is the further risk that driving rates down precipitately could choke off the inflows of foreign capital that cover the U.S. domestic savings shortfall. The Open Market Committee's August meeting betrayed concern on this last score, contributing to its decision for marginal tightening of policy. So far, with confidence in the dollar substantially intact, the inflows do not appear in jeopardy. Nonetheless, there is no indication since September of Federal Reserve willingness to ease. Accordingly, differentials can only take the dollar lower if interest rates firm elsewhere. Although German rates have indeed edged marginally higher during the past month, the authorities are not keen to jack up interest rates openly or sizably. Japanese interest rates edged lower for much of October; the yen was supported by intervention. However, this lost effectiveness toward the end of the month, compelling a startling run-up of yen interest rates across the maturity spectrum.

Table 3

Three-month Eurocurrency interest rates

percent per annum

	End Feb. 1985	End May 1985	Sept. 30, 1985	Oct. 28, 1985
Dollar	9 4	7 8	8 1	8 1
Japanese yen	6 4	6 3	6 5	6 5
Canadian dollar	11 5	9 5	9 5	9 5
German mark	6 1	5 6	5 4	5 4
French franc	11 5	10 3	9 7	9 5
British pound	13 8	12 4	11 4	11 6
Italian lira	14 8	13 5	13 5	13 5

As for policy commitments, the G-5 announcement broke no new ground. It commended existing policies geared to structural adjustment in a noninflationary environment. It also urged resistance to protectionism. However, its prescriptions were quite sparse for substantive policy changes that might fundamentally influence the currency markets. For several months, amid broad-scale national debate, down payments have been made toward reduction of the U.S. federal budget deficit. According to the Congressional Budget Office analysis of this summer's Concurrent Budget Resolution, the deficit will decline by roughly 2.5% of GNP between FY 1985 and FY 1988. The resolution, however, is unlikely to be fully implemented: farm spending, for example, may far exceed the allocated amounts. Thus, the deficit may decline only 1.8% of GNP by FY 1988, or to $175 billion rather than the projected $143 billion. Going further, the Senate's amendment to the bill that would extend the debt ceiling seeks elimination of the deficit by 1991, barring war or recession; were the projected deficit in any fiscal year to exceed the path prescribed, the President would be required to cut spending across the board, excepting interest payments, Social Security, and certain precontracted obligations. The Senate amendment poses difficult issues and faces an uncertain fate. Still, deficit cutting has clearly made headway.

With the United States now moving on the budget issue, there is a very real risk that OECD economic growth will sink decidedly below 3% during this vital, yet necessarily protracted, period of adjustment. Such an outcome would have grievous consequences for both unemployment in the industrial countries and the economic and financial problems facing developing countries. As the U.S. fiscal engine is thrown into reverse, Japan and Germany urgently need to reconsider their existing commitments to fiscal stringency.

Both Japan and Germany should be gearing up now for fiscal expansion to offset U.S. fiscal contraction. Working for such offset is a far more important function for the G-5 than issuing pronouncements that applaud existing national policies and hector currency markets to conform to *official* views of economic fundamentals. True, as the September experience demonstrated, announcement effects on the currency markets can be substantial in the short run. Likewise, sterilized intervention — actual or threatened — can be forceful for a time. Neither tactic, however, provides a durable substitute for fundamental policy changes. Thus, the real challenge before the G-5 is to convene more frequently and work purposefully for *consistency* in the monetary and fiscal policies of its member countries. Such macroeconomic consistency provides the only means to reconcile increasing freedom for international capital flows with the economic imperative for reasonably free trade in goods and services.

Japan's macroeconomic trends and policies

Japan: real GNP growth
percent per annum

Japanese action to boost its domestic demand is key to the G-5 strategy for tackling global imbalances in a framework for economic growth rather than retrenchment. Japan's growth has become unduly dependent on the foreign sector; the current account surplus now approaches $50 billion, or 4% of GNP. Were foreign growth to stumble, or foreign protectionism intensify, Japan's economy could be in trouble.

The government program announced in mid-October signals Japan's recognition of the political urgency for action. Five measures were announced: increased funding for the Housing Loan Corporation; measures for extra utility spending; speeding up public works and permission for extra local government bond issues; increased sales of public assets intended to generate additional private investment; and relaxation of certain down payment and currency regulations on consumer credit. Yet government claims of a $50 billion direct and indirect impact on the economy of $19 billion in 1986, or 1.97% of GNP, appear exaggerated. Some of the spending detailed in the program was already in the works; in other cases the measures merely bring spending forward from late 1986 or early 1987 to early 1986, or shift funds from one project to another. Realistically, the program's net-of-tax impact may be no more than a cumulative 0.5% of GNP, spread over two years but concentrated in the first half of 1986. Besides, the stimulus will be blunted by the jump in Japanese interest rates that occurred in late October.

Fundamentally, little has been done to solve the problem of Japan's "excess" savings: the economy still will fail to generate domestic investment opportunities sufficient to absorb private- and public-sector savings. The excess spills abroad as trade and current account surpluses. Although some of Japan's trade partners may find its surpluses acceptable for a time as a supplement to their own inadequate savings, their exposed domestic industries bear the brunt of Japan's export competitiveness. For their part, many Japanese observers welcome external surpluses, judging them both virtuous and structural, an immutable feature of the economy. Review of Japan's actual experience since 1970, however, demonstrates that there is nothing immutable about the current domestic savings excess. Instead, revamping of fiscal policy would enable Japan's domestic demand to approach the economy's potential more nearly. That would cut Japan's external surplus to manageable levels without recourse to distorting controls.

The emergence of "excess" savings

Among industrial countries Japan has enjoyed by far the fastest economic growth in the postwar period. However, its performance has deteriorated noticeably since the first oil shock (see Chart 2); and in the 1980s the economy has developed an untenable reliance on external demand as the engine of continued economic expansion (see Table 4). Net exports provided about 45% of the increase in Japanese real GNP from 1980 through 1983. In 1984 they still provided about one-third directly, while favorable export prospects motivated a significant part of the domestic investment recovery. This situation has continued into 1985, with net exports again contributing about one-third of overall economic growth.

Japan's heavy dependence on ex-

Sources of Japan's real GNP growth*

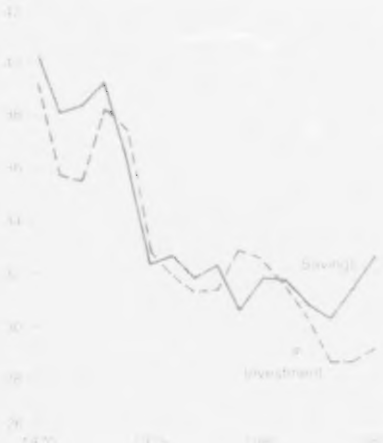
1960–71			
1972–74			
1975–79	4.7	4.7	0.0
1980–84	4.4	3.4	1.0
1985	4.6	3.1	1.5
1986	3.4	2.9	0.5

*Derived from national accounts data in 1975 prices.

Table 5

Japan: selected commodity imports

Japan: domestic savings and investment
percent of GNP



ternal sources of growth has led to burgeoning trade and current account surpluses. Large and chronic surpluses are at variance with earlier experience: from 1960 through 1982 Japan's current account twice swung from surplus to deficit and back. Its average surplus was less than 1% of GNP. Since 1982 the surplus has grown rapidly, reaching almost 3% of GNP in 1984 and approaching 4% this year.

Developments abroad have clearly contributed. From 1980 through 1984 U.S. domestic demand outpaced Japan's by 2.3 percentage points annually, whereas the 1970s showed a 0.3 percentage point difference in favor of Japan. This, still combined with Japan's much lower propensity to import, led to sizable U.S. demand for Japanese exports but weak growth of Japanese imports. The disparity has been answered by a strong dollar and weak commodity prices. Less intensive use of imported commodities, too, has been important. For example, the dollar value of oil imports dropped 25% from 1980 to 1984 while volume fell 16% (see Table 6). The value of nonferrous metallic ore and wood imports plunged 40%, half from a decline in volume. In aggregate, falling prices reduced Japan's bill for imports of nonmanufactures in 1984 by $10 billion, falling demand by around $12 billion.

It is not correct, however, to blame Japan's surpluses on external factors alone. U.S. domestic demand has actually grown less rapidly on average in the 1980s than in the 1970s. The differential switched because Japanese demand has been unusually weak. Stronger Japanese domestic demand would have boosted imports and reduced Japan's trade and current account surpluses. Japanese observers are prone to argue, nonetheless, that an immutable excess of Japanese savings over domestic investment makes current account surpluses and increases in net foreign assets inevitable by definition. Such an argument flies in the face of Japan's own experience.

Since 1970 both savings and investment in Japan have dropped considerably relative to GNP. As economic growth began to slow, even before the first oil shock, the investment rate started to drop. Thereafter it fell precipitously, closing the decade 6% of GNP lower than at the start (see Chart 3). During the 1970s, Japan's economy-wide savings rate fell roughly in line with investment, keeping excess domestic savings and the corresponding current account surpluses small on average. Since 1980, by contrast, the investment rate has fallen a further 4% of GNP. Although the savings rate also declined for a time after the second oil shock, it later recovered. Large-scale excess savings emerged.

Investment and savings behavior has not been uniform across business, households, and government. The savings deficit of the business sector shrank by almost 3½% of GNP between 1970 and 1983 (see Table 6) because its gross savings fell less sharply than investment. The savings surplus of the household sector increased 2½ percentage points in the same period. Thus net savings of Japan's private sector rose by around 6% of GNP. Until recently, most were absorbed by the public sector. General government savings swung from a surplus of almost 2% of GNP in 1970 to a deficit that peaked in excess of 5% of GNP in 1979, for a swing of 7 percentage points; subsequent expenditure cuts reduced the swing to 5½ percentage points by 1983. The rest of the increase in net private savings was matched by the net increase in the current account surplus. In 1984 the surplus further increased by 1% of GNP, while the investment rate was essentially unchanged; thus either

Table 6

Japan: savings and investment

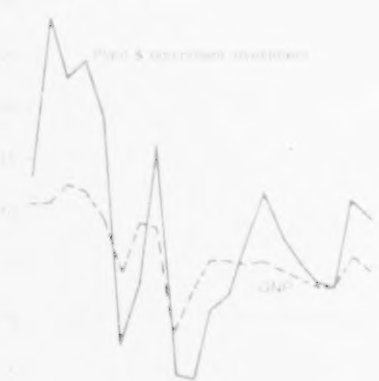
Percent of GNP

	1978	1984	1985
Gross domestic savings	32.6	31.5	32.4
Gross domestic investment	32.1	31.7	32.6
Net domestic savings*	17.1	15.8	16.7
Business	4.6	4.8	5.0
Households**	9.1	n/a	n/a
General government	3.4	4.3	4.7

*Adjusted for capital consumption allowances.
**Including private nonprofit organizations.

Japan: real investment and output growth

Percent per annum



private or public sectors, or both, increased their savings rates. In 1985 the current account surplus is set for another substantial increase; since the domestic investment rate also appears to be rising slightly, the gross domestic savings rate must be up quite sharply.

Thus Japan's "structural" savings imbalance has been quite changeable historically. By the same token, Japan is not powerless in the face of its twin imbalances, domestic and external. Domestic policy changes can alter the factors motivating savings and investment. In particular, domestic demand stimulus in either the private or public sectors can absorb excess savings and reduce current account surpluses.

Domestic demand prospects

Neither consumption nor investment by Japan's private sector has recovered the dynamism displayed during the boom years of the 1960s. In recent years the government has been holding the line on spending. The resulting weakness of overall domestic demand, documented below in some detail, makes it no small challenge for Japan to sustain moderately strong GNP expansion while simultaneously switching away from foreign sources of growth.

Private consumption has been the most reliable source of domestic demand in Japan since the end of investment-led growth 15 years ago. However, it has not grown strongly in recent years, partly because the tax system combines high marginal rates on regular income with tax-free savings provisions; the latter have become more generous, in effect, as interest rates have risen. The weakness in incomes also has held down consumption. Between 1980 and 1984, real nonfarm incomes increased by more than 2% only in 1982; real cash earnings, from wages and bonuses, have never grown more than 2% per annum despite real GNP growth averaging 4.3%.

The outlook is marginally more promising. The 5% rise in nominal wages from this year's spring wage round, supplemented by the 6% increase reported in midyear bonuses, should boost real incomes and consumption slightly over 3% during the next year. Still, the predominant 60% share of consumption makes it hard for real domestic demand growth to vary greatly from the 3%-3½% range in 1985 and 1986. Over the longer term, consumption will grow only modestly unless there is a major boost to income growth or a significant increase in incentives for consumption. The October measures will not accomplish either. Income growth will gain little, and the easing of regulations on minimum down payments and maximum maturity of consumer loans marks only a small step in the right direction.

Plant and equipment investment lost its exuberance once Japanese output growth receded after 1970 (see Chart 4). Adjustment has taken many years to accomplish: excess capacity was prevalent throughout the mid-1970s; surplus inventories were not worked off until 1978; and industrial production in 1977 still was lower than in 1973 (see Chart 5). Almost as soon as a hesitant recovery of plant and equipment investment began, it was interrupted by the second oil shock. However, the setback was less severe than after the first oil shock.

Major redirection of Japanese industry has taken place. Since 1980 capacity in the machinery and equipment industries has grown well over twice as fast as manufacturing in general (see Table 7); their share in all manufacturing output has risen from 38% to 47%; in addition, their operating ratios have been consistently higher and their inventory ratios lower. Not surprisingly, the

machinery and equipment industries have enjoyed a stronger investment recovery than has manufacturing in general. Meanwhile, investment has become more dependent on foreign demand. Domestically oriented firms, such as retailers and utilities, would be unlikely on their own to sustain strong aggregate investment were slow growth or increased protectionism in foreign markets to reduce exports, depress capacity utilization, and cause backup of inventories.

Industrial production, inventories and capacity utilization
1980 = 100

Table 7
Selected indicators for California
1980 = 100

	1982	1983	1984
Air manufacturing			
Production	100	117	140
Inventory*	100	106	126
Capacity	100	113	131
Operating rate	100	104	107
Machinery industry			
Production	100	124	160
Inventory**	101	94	100
Capacity	105	112	144
Operating rate	94	104	106

*Year to date, seasonally adjusted
**In relation to shipments

This risk aside, there still is room for continuing modest growth in defense, plant and equipment investment. However, the 11% growth in 1983 was probably the cyclical peak. Investment growth is slowing this year to around 8½%. Over the longer term, the cumulative gains of a one-time spinoff from privatization of Nippon Telephone and Telegraph (NTT) and the auto and textiles import-quota. The October measures to spur utilities' investment will add little that cannot already be expected, although the actual investment may be concentrated in the early part of 1985. Housing starts, auto and equipment purchases next year may settle back considerably from their 1984 levels, but from 98% of domestic capital investment with over 20% in 1970, the Japanese economy has become increasingly dependent on foreign investment and demand.

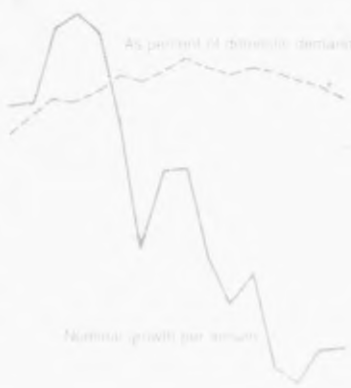
Business capital investment has been very weak since 1981, when its share of domestic demand peaked at a 19% level for some 6% below. Following an 1974 drop in it and not nearly as far as the second oil shock, it rose six years from 1979 to 1981 by a cumulative decline of 19%. Cost and demographic factors were responsible. Since 1979, land prices and construction costs have run ahead of Japanese household disposable income. More important, house purchase has become less attractive because high real interest rates and modest income gains mean that mortgage repayments now decrease very slowly as a share of disposable income in the years following purchase. Low rates of population growth and household formation have further slowed investment.

Although high real interest rates continue to hold a lid on housing demand, they should not depress investment further over the next few years. Growth in real disposable incomes and relative stability in land prices and construction costs can be expected to increase residential investment by perhaps 3% to 3½% annually. At that rate, it would take five years to reach the previous peak. The October measures may provide a modest short-term boost, but over the longer term the effects will be small — especially if this program, like that of 1982, is followed by a sharp slowdown in Housing Loan Corporation activity. Strong private residential investment remains dependent on major policy changes that reduce land and construction costs, improve financing conditions, or boost domestic incomes.

Public-sector spending rose sharply after the first oil shock, carrying its share of domestic demand from the 18% to 17% of the late 1960s to a peak of 20% in the late 1970s (see Chart 6), and contributing 28% of domestic demand growth from 1975 to 1979. However, during fiscal years 1982 to 1984, general account spending of the central government increased only 3% annually, a drastic 12 percentage point slowdown compared with the late 1970s. Because no other level of government took up the slack, the public-sector share of domestic demand fell to around 18% by 1984, undercutting the modest stimulus provided by private-sector demand.

Current plans call for further austerity. In both fiscal years 1985 and 1986, general account spending by the central government is set to grow

Public-sector spending



about 3½% in nominal terms, perhaps 1½% in real terms. Transfers to local governments and debt-service expenditures take up most of the growth; other expenditures will be almost fixed even in nominal terms. Under the Local Finance Plan nominal expenditures of local governments will grow at the somewhat faster rate of about 4½%. (a portion represents double counting of transfers already included in the central government budget). The Fiscal Investment and Loan Program, the "second budget" that allocates funds raised by the central government from postal savings, various reserve accounts, and certain bond issues, also is slated for low nominal growth. The October measures will change this picture only modestly. Some of the announced expenditures merely shift previously planned expenditures forward, and local governments may choose not to use all their new borrowing authority.

Meanwhile, Japan's tax burden has ballooned. Tax and social security payments, 23% of GNP in FY 1970, will rise to a projected 36% in FY 1985 — little lower than in the United States, whereas the gap had been 12 percentage points in 1970. While tax policy has reduced government deficits and put the social security system on a more secure footing, it has curbed severely private investment, consumption, and housing expenditures. Current plans, which call for social security tax rates to go up and for other taxes to stay virtually unchanged, give no hope of demand stimulus. This makes even clearer the need for existing policies to change.

Central government deficit and debt service

percent of general account expenditures

Japan's reluctance for policy change

Although the October measures provide a modest boost to the economy, the Japanese government remains reluctant to pursue truly stimulative policies. Several factors underlie its reluctance. First is the prospective burden of supporting Japan's retirees next century; to help meet this burden, many in Japan deem vital the present buildup of foreign assets through the current account surplus. The pensions question has affected Japanese policy in other ways. Social security taxes rose from 9.1% to 10.6% of earnings in 1980 and to 12.4% this year, and it is conceivable that financing of the system will require still further increases. However, the rise in taxes has depressed disposable income and consumption growth. In a real sense, the current Japanese approach can be characterized as supporting its retirees at other nations' expense.

Second, there is the fear that government deficits are out of control. There were no deficits in the postwar years until FY 1965, and only small deficits through FY 1974 (see Chart 7). Once deficit bond issues (that is, bond issues not matched by capital expenditures) were permitted in 1975, they rapidly emerged as a major funding source: bonds covered 25% of general account expenditures in FY 1975 and, in the original budget, were slated to cover 40% in FY 1979. The ratio has since fallen back below 25%, effectively eliminating any threat to the economy; the large pool of domestic savings now makes the deficit easily financeable. Japan's overall public-sector deficit likewise has shrunk. In 1979 it approached 5% of GNP, a figure then exceeded only by Italy among major industrial countries. By 1984, however, it had fallen to 2.6% of GNP and, by 1986, is slated to decline to less than 1%. The structural budget deficit, already small in FY 1984, should turn into surplus by FY 1986. Net public debt outstanding has reached a little less than 50% of GNP in Japan. Being slightly below the corresponding

Table 8

Scenarios for Japan's trade and current accounts: assumptions

	1985	1986	Average 1987-90
Japan: domestic demand, % change			
Unchanged policies	3.4	3.6	4.5
Higher demand		4.6	5.0
Real effective exchange rate, 1980-82 = 100			
Yen			
Unchanged policies	99	99	107
Higher demand		109	122*
Dollar			
Unchanged policies	111	113	116*
Higher demand		112	120*
6-month LIBOR, %	8.7	7.5	7.2
OECD excl. Japan real GNP, % change	2.8	3.1	2.8

*1990 average

Table 9

Scenarios for Japan's trade and current accounts: results

billions of dollars, except as noted

	1984	1985	1986	1990
Trade surplus				
Unchanged policies	44	56	58	37
Higher demand			54	8
Current account surplus				
Unchanged policies	35	39	52	36
Higher demand			47	7
Current account surplus, % of GNP				
Unchanged policies	2.9	3.5	3.4	1.6
Higher demand			3.0	0.3
Net foreign assets				
Unchanged policies	74	123	175	396
Higher demand			171	229
Real GNP, % change				
Unchanged policies	5.1	4.6	3.4	3.6
Higher demand			3.9	4.5

figures for the United States, Germany, and the United Kingdom. Japan's debt is not large in an international context.

Third, it is feared that government spending and deficits undermine Japan's monetary and anti-inflation policies. The experience of the last decade shows that this fear is unfounded. Since 1975 the Bank of Japan has targeted M2+CDs (certificates of deposit), gradually slowing its growth by some 6 percentage points to 9% per year. This compares favorably with experience during the 15 years preceding adoption of the new target, when annual growth in M2 had ranged from 12% to 25%. Consumer price inflation peaked in 1974 at 25%, but fell back below 4% by 1978. After a brief surge triggered by the second oil shock, inflation now averages around 2% per year, with no significant upward pressures in sight.

Fourth, policymakers fear that deficits reduce their freedom to set interest rates. On casual inspection these fears might seem to be justified: financial institutions have balked on several occasions at accepting government securities whose yield they considered inadequate, and the Bank of Japan has been reluctant to cut the discount rate since it was lowered to 5% in October 1983. Its reticence, however, is motivated mainly by concern to avoid yen weakness. To the extent official control of domestic interest rates has diminished, the real cause lies in the growing internationalization of the Japanese economy, which encourages Japanese investors to adjust their portfolios in light of perceived returns, not only on government securities, but on other domestic and international securities as well.

Fifth, policymakers presume stimulative domestic policies can have but limited effects on Japan's trade and current account surpluses. In view of Japan's low propensity to import, they prefer to attack current account surpluses by reducing Japan's exports through yen appreciation or export controls. Yen appreciation is the authorities' first preference, followed only later by relaxation of monetary policy, once the risks of yen depreciation appear slight.

What demand stimulus could do

The relative potential of more forceful Japanese macroeconomic policies and yen appreciation can be assessed using two scenarios for the Japanese economy. The base case assumes that no major measures are taken in Japan, that a modest recovery continues through 1990 in the United States and Europe, that inflation stays low in both the United States and Japan, and that the yen appreciates over the next three years to 190 yen per dollar (see Table 8). This base case yields little narrowing of the payments imbalances troubling Japan's relations with its trade partners. The trade surplus would peak at $58 billion in 1986 and then decline only to $37 billion by 1990 (see Table 9). The current account surplus also would peak at $52 billion in 1986, up from $35 billion in 1984. By the end of the decade, it would fall back only to $36 billion, a still substantial 1.6% of GNP.

This first scenario probably takes an optimistic view of present policies; the alternative is for Japan to pursue more stimulative macroeconomic policies. The second scenario supposes that Japan introduces measures to boost domestic demand growth one percentage point above that assumed in the base case from 1986 to 1990. Further, it assumes that this extra strength in domestic demand would lead to additional appreciation of the yen, reaching 180 yen per dollar by the

end of 1988. Under these conditions Japan's current account surplus could be virtually eliminated by 1990, while the trade surplus (balance of payments definition) would equal only 0.4% of GNP. Of the $36 billion decline in the current account surplus by 1990 relative to the base case, $13 billion (or 36%) would come directly from the boost to demand, and $23 billion (64%) from the additional yen appreciation. Even the latter part should be stimulated indirectly to higher demand for without stronger economic growth such appreciation is unlikely. Moreover, the share directly attributable to demand would be even higher were Japan to move forcefully to open its markets and thereby raise its aggregate propensity to import.

Boosting Japan's domestic demand and curbing its excess savings require that the nation's consumption and investment be increased, whether through the public sector, the private sector, or both. Monetary policy can do little: stimulus would weaken the yen and increase the trade surplus; tightening might strengthen the yen but would hardly stimulate demand. Instead, together with further financial liberalization, the fiscal front should be the focus in terms both of the fiscal balance and the tax structure's impact on private-sector incentives.

In the public sector, a more relaxed approach to spending need not imply abandonment of discipline. The time has come to reverse the neglect of public investment. There is scope for new channels to support investment over and above what is possible within existing arrangements for public works financing. For example, some investments could be undertaken as joint projects between the public and private sectors; others by newly created public entities enjoying powers of tax-exempt bond issue. Privatization, launched in April for NTT and now under discussion for Japan Air Lines, also can transfer credit demands into the private sector. However, such actions will boost demand only insofar as they free general account funds for other uses or enable regulated businesses and local governments to step up investment with fewer funding restraints.

The government also could boost private-sector demand by cutting taxes. Business tax cuts would help investment, especially in smaller enterprises that traditionally rely on retained earnings or bank loans; personal tax cuts would help consumption. Given the dearth of domestic demand, tax cuts are plainly preferable to the kind of "revenue-neutral" tax reform that is much discussed in Japan. That would involve a shift from direct to indirect taxation with uncertain implications for demand.

There is much to be said for reducing the deterrent to borrowing implicit in Japan's existing tax code. Replacing the current system's meager credits for housing by increased deductibility of interest payments from taxable income, coupled with expanded liability of interest income to tax, would facilitate borrowing and thereby boost consumption and housing demand. Further easing of restrictions on minimum down payments and maximum loan maturities would encourage borrowing in general, while housing specifically would benefit from a change in the taxation of land sales and an increase in the maximum loan amount available to individuals through the Housing Loan Corporation. Given the slowdown in their lending to corporations, banks should find consumer loans and mortgages an attractive alternative. Eventually, the pool of private-sector mortgages could become large and standardized enough for secondary trading – an activity that domestic or foreign financial institutions may find

attractive and that also could absorb some of the excess savings of Japanese investors.

Policy consistency

The central challenge for international economic management is the achievement of a fair degree of consistency in the policies of the major industrial countries. Yet, after ten years of economic summitry by heads of state, and a much longer history of interchange at other levels, this September's G-5 meeting confronted international payments imbalances that are the largest in postwar history — eclipsing even those engendered by the two oil shocks. Further darkening the picture today are the continuing economic woes of many developing countries and the near-universal rise of protectionism and acrimony in trade relations.

To pin all these troubles on a single cause, such as the U.S. budget deficit, is a misleading oversimplification. While criticism of the deficit is not without substance, it deflects attention from other failings in the world economy and obscures responsibility for their correction. Nowhere is this more true than in attitudes toward the $135 billion U.S. trade deficit, which both Europe and Japan are prone to see as a U.S. problem whose resolution is devoid of implication for their own economic and trade policies. So large an international imbalance can be successfully addressed only within the framework of a cooperative international strategy.

Japan still sees its trade and current account surpluses as a virtue, confirming the correctness of its policies and providing financial security into the next century. In fact, those surpluses evidence unwarranted sluggishness in Japan's domestic economy. Moreover, the scale of the Japan-U.S. bilateral imbalance is causing grave problems for important segments of the U.S. economy. Even recognized internationalists in the Congress have begun to push for punitive retaliatory measures whose consequences would be hard to contain and damaging for both Japan and the United States.

At present, the Japanese authorities appear to place primary reliance on further appreciation of the yen, to a level closer to 200 to the dollar. Intervention has gone some way toward achieving this objective, but may not prove effective for long. Some observers on both sides of the Pacific suggest that intervention be buttressed by administrative guidance to discourage the outflow of capital from Japan, and possibly be supplemented by the reintroduction of formal controls. This approach has serious deficiencies. Were Japanese capital outflows successfully stifled, there would be upward pressure on U.S. interest rates that could well trigger a new cycle of U.S. and global recession. In the longer term, controls might well be circumvented and lose effectiveness.

In any event, resort to capital controls would mark the breakdown of international cooperation. It also would constitute a serious setback to the whole thrust of the past ten years to liberalize capital flows among the major countries; thoughtful observers judge controls on capital to be every bit as damaging to global economic efficiency as the more widely acknowledged costs of trade protection. Acceptance of the necessity for consistency in macroeconomic policies is the best way forward. For the United States, it means pressing ahead with plans to reduce the budget deficit over the next few years to a level below 3% of GNP. For Japan, it means putting aside existing commitments in fiscal policy in favor of speedy and substantial measures to reflate domestic demand.

Statistical appendix

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average = 100

	United States	Canada	Japan	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1980	90.7	100.4	93.5	96.0	106.5	100.0	108.4	99.3	99.4	105.9	100.2	106.5	95.4	105.1	98.2	103.9
1981	96.0	106.2	100.5	104.0	105.4	97.2	98.5	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	129.9	99.4	99.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.6	99.8	97.3	127.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.8	97.1	113.0	98.2	94.4	137.4	86.7	88.1	103.6	88.5	104.0	77.4	110.6	93.9	97.8	84.3
1984																
October	120.0	99.1	112.6	99.5	93.0	136.9	85.7	86.1	103.2	88.7	103.2	77.0	109.8	93.4	97.1	85.6
November	120.8	98.0	112.1	99.0	94.0	136.7	86.6	86.7	103.4	89.4	103.5	77.4	110.2	94.2	95.5	85.1
December	120.6	96.7	112.0	98.4	93.6	136.7	86.9	86.1	103.2	89.3	103.0	77.8	109.5	94.5	95.5	85.0
1985																
January	118.6	96.8	109.6	97.4	91.7	135.2	84.1	84.1	103.4	89.9	103.0	78.1	107.8	95.0	95.7	85.0
February	118.4	96.1	110.8	98.2	92.8	133.8	85.4	84.4	103.3	89.8	102.6	77.6	108.9	94.4	95.8	85.5
March	118.3	95.0	110.7	97.6	93.0	135.8	84.7	84.9	103.0	89.8	102.5	77.2	108.8	94.3	95.7	84.6
April	118.0	94.6	110.1	96.8	94.0	136.7	84.0	85.1	103.0	89.2	102.9	77.2	108.0	94.5	96.0	83.6
May	117.9	93.9	111.0	96.7	93.6	136.0	84.2	85.2	103.0	89.0	102.9	76.5	107.4	93.7	96.0	83.8
June	118.0	93.2	111.0	96.7	94.0	136.0	84.0	85.4	103.0	88.9	103.0	76.3	107.6	94.3	95.8	83.8
July	118.1	93.2	111.0	96.4	93.8	136.0	84.2	85.3	103.0	88.9	103.0	75.5	110.2	94.5	95.7	83.6
August	118.1	93.0	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
September	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
October	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
November	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
December	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
1986																
January	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
February	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
March	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
April	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
May	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
June	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
July	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
August	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6
September	118.1	92.9	110.8	96.4	93.7	136.2	84.3	85.3	103.0	88.8	103.0	75.5	110.2	94.5	95.7	83.6

Real effective exchange rates — industrial countries

Index numbers, 1980-82 average = 100

	United States	Canada	Japan	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1980	98.6	98.6	102.6	98.8	100.1	100.0	103.8	98.9	100.8	101.3	99.8	100.9	98.1	103.5	99.6	101.2
1981	97.7	99.6	104.1	102.1	100.1	97.4	99.1	101.2	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	99.4	99.4	98.8	99.0	97.8	99.7	97.9	97.4	99.7	97.3	102.8	99.8	102.6	97.5	102.5	96.7
1983	92.7	99.0	99.6	100.0	98.1	99.2	100.1	96.2	99.5	97.0	101.8	96.6	104.4	98.8	101.3	91.5
1984	94.2	95.6	103.8	98.1	96.8	99.2	100.1	96.1	99.7	96.9	100.2	95.0	105.4	96.5	100.1	96.9
1984																
October	92.6	96.4	98.2	99.1	96.5	99.2	100.9	96.6	101.0	96.6	99.8	95.0	105.8	96.6	100.1	99.1
November	92.7	95.1	98.2	100.4	97.6	99.1	101.2	96.8	101.5	96.6	99.6	95.3	106.7	98.0	98.3	98.3
December	93.0	94.4	98.7	99.8	98.0	98.9	101.4	96.4	101.4	96.4	99.4	95.7	107.2	98.0	98.1	98.0	98.7
1985																
January	92.6	93.6	94.1	100.4	97.5	98.6	101.6	96.2	101.3	96.2	97.7	96.6	106.4	97.8	97.4	99.4
February	92.5	93.0	95.0	101.2	97.9	98.2	101.7	96.6	101.5	96.4	97.4	96.3	106.5	97.5	98.0	100.2
March	92.5	92.1	94.9	100.6	97.9	98.4	101.5	96.5	101.2	96.4	97.2	96.2	106.4	97.4	98.3	99.6
April	92.3	91.7	94.6	99.8	98.0	98.6	101.5	96.5	101.2	96.4	97.1	96.2	105.6	97.5	98.3	98.1
May	92.3	91.6	95.0	99.8	98.2	98.4	101.6	96.5	101.2	96.4	97.2	96.2	105.4	97.6	98.4	98.0
June	92.4	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
July	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
August	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
September	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
October	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
November	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
December	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
1986																
January	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
February	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
March	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
April	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
May	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
June	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
July	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
August	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6
September	92.5	91.6	95.1	99.9	98.6	98.5	101.8	96.6	101.3	96.5	97.4	96.3	105.6	97.3	98.1	97.6

Real effective exchange rates — developing countries

Index numbers, 1980-82 = 100

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1980	116.4	84.6	95.2	94.7	104.0	93.1	81.3	98.2	89.6	95.9	96.2	93.3	98.6	100.9	92.9	100.2
1981	107.9	123.2	108.1	103.4	114.1	103.2	93.6	99.4	99.6	101.2	99.3	101.2	102.7	102.6	99.3	104.4
1982	75.6	112.2	96.7	104.8	81.9	103.8	125.1	102.3	110.8	102.9	104.5	105.5	98.7	96.5	107.7	95.4
1983	71.0	89.4	69.7	103.2	75.9	97.2	116.1	96.6	95.7	97.3	112.7	95.1	97.1	93.1	119.5	92.8
1984	79.8	94.9	83.3	99.5	91.5	103.8	93.4	100.0	96.7	99.8	119.1	107.4	95.8	95.5	118.3	90.6
1984																
September	68.7	98.6	98.1	100.1	94.2	105.7	95.6	99.6	97.4	97.7	123.3	113.6	96.9	98.9	122.0	94.0
October	80.2	94.3	94.4	98.4	96.1	107.8	97.5	100.4	97.8	97.3	121.1	112.4	96.1	98.2	122.0	94.5
November	73.7	89.4	84.1	97.8	90.8	103.8	97.0	100.7	96.5	96.3	119.7	109.0	95.0	96.6	122.0	95.4
December	70.5	87.1	80.9	96.2	88.1	102.8	93.6	101.1	96.7	96.8	121.3	111.5	95.5	97.4	114.2	95.5
1985																
January	72.8	94.1	90.1	99.1	97.6	98.4	90.3	102.6	100.3	97.0	120.5	116.4	95.7	98.3	109.5	98.0
February	75.4	94.0	91.6	98.1	100.3	96.8	94.4	101.5	102.2	97.6	119.4	120.3	95.7	99.5	119.5	102.3
March	79.3	96.1	94.6	99.1	102.8	97.2	94.4	101.1	105.3	96.3	116.1	123.4	95.7	98.6	116.0	101.5
April	78.1	96.1	91.8	97.1	98.3	97.1	90.4	100.1	98.7	95.1	118.0	118.7	94.3	96.1	112.6	96.3
May	76.5	95.2	92.2	96.1	100.4	96.2	90.3	98.5	98.7	94.8	119.0	117.4	93.0	95.2	104.6	94.2
June	77.1	97.5	93.3	96.1	97.4	91.6	87.9	98.2	99.0	95.0	118.1	113.0	91.2	94.5	105.3	90.1
July	76.1	95.6	91.8	95.1	94.5	89.8	87.7	100.5	99.1	97.9	115.9	113.2	87.6	91.9	99.2	86.6
August	74.1	93.5	74.2	93.4	90.2	86.7	82.2	101.8	93.4	96.4	114.2	111.8	85.9	90.3	101.2	85.0

International banking market size

At end of period, $ billions, net

	1981	1982	1983	1984				1985
				Mar	Jun	Sep	Dec	Mar
Gross claims								
Eurocurrencies, on residents and nonresidents	1 929	2 146	2 252	2 339	2 338	2 322	2 352	2 461
On nonbanks	613	654	669	685	679	676	684	708
On banks	1 372	1 512	1 583	1 654	1 651	1 646	1 668	1 753
In dollars	1 434	1 620	1 767	1 841	1 850	1 857	1 887	1 974
In other currencies	495	526	485	498	488	465	465	514
Domestic currencies, on nonresidents	385	396	398	400	406	393	397	402
On nonbanks	128	137	139	136	140	138	137	140
On banks	257	259	259	264	266	255	260	262
In dollars	198	201	211	206	215	208	210	201
In other currencies	187	195	187	194	189	185	187	201
Total	2 294	2 544	2 651	2 739	2 736	2 715	2 749	2 863
On nonbanks	740	791	808	821	819	814	821	848
On banks	1 554	1 753	1 843	1 918	1 917	1 901	1 928	2 015
In dollars	1 632	1 821	1 978	2 047	2 065	2 065	2 097	2 148
In other currencies	662	723	673	692	671	650	652	715
Gross liabilities								
Eurocurrencies, to residents and nonresidents	1 854	2 169	2 378	2 362	2 360	2 349	2 383	2 481
To nonbanks	419	466	479	509	503	492	500	508
To official monetary institutions	142	91	93	93	94	96	96	96
To other banks	1 293	1 612	1 807	1 760	1 763	1 761	1 787	1 877
In dollars	1 434	1 741	1 952	1 932	1 905	1 912	1 949	2 001
In other currencies	419	427	426	430	455	437	434	480
Domestic currencies, to nonresidents	263	250	258	262	277	274	277	289
To nonbanks	74	73	71	71	71	72	77	78
To banks	189	177	187	191	206	202	200	211
In dollars	136	116	133	128	140	140	143	143
In other currencies	127	134	125	134	137	134	134	146
Total	2 217	2 418	2 636	2 624	2 637	2 623	2 660	2 770
To nonbanks	493	539	550	581	574	564	577	586
To banks and official institutions	1 723	1 879	2 086	2 043	2 063	2 059	2 083	2 184
In dollars	1 865	1 857	2 085	2 060	2 045	2 052	2 092	2 144
In other currencies	352	561	551	614	592	571	568	626
Net market size	1 155	1 285	1 377	1 395	1 417	1 407	1 415	1 442

International bond issues and bank credits

millions of dollars

	1982	1983	1984	1985			Jan-Sep	
				Jul	Aug	Sep	1985	1984
By country of borrower								
Industrial countries	**108 772**	**102 652**	**177 077**	**12 399**	**22 108**	**15 311**	**153 161**	**134 747**
Australia	7 213	5 737	5 816	260	319	862	7 535	3 703
Austria	2 068	1 290	2 254	81	245	210	1 930	1 857
Belgium	1 528	2 168	1 847	50	208	121	2 084	1 366
Canada	15 856	8 571	13 124	1 830	1 718	236	13 427	8 201
Denmark	2 725	3 341	4 825	106	341	267	2 808	4 241
Finland	1 446	1 271	1 718	97	76	145	1 233	1 279
France	14 813	8 626	11 298	1 581	4 690	799	14 660	8 823
Germany	1 101	3 197	2 165	411	390	154	2 012	1 545
Greece	808	1 291	1 551	—	150	101	1 567	1 047
Ireland	1 138	1 883	1 377	—	—	338	1 247	991
Italy	9 687	5 676	4 923	998	—	761	8 767	3 568
Japan	8 307	14 428	11 526	1 153	1 350	1 344	16 185	14 846
Netherlands	1 900	1 213	1 872	216	294	273	1 781	1 637
New Zealand	1 780	602	3 208	756	260	—	1 814	1 716
Norway	2 907	1 969	1 324	119	307	284	2 387	950
Portugal	1 634	1 030	1 796	83	243	168	1 592	1 612
South Africa	1 859	1 300	1 472	80	—	—	778	1 174
Spain	2 675	4 972	4 831	458	95	338	5 337	3 634
Sweden	3 181	7 344	11 258	600	1 977	241	8 391	9 602
United Kingdom	2 836	3 726	6 893	511	2 480	4 048	16 595	6 120
United States	21 100	20 275	65 954	3 037	6 247	2 421	58 494	51 881
*Other**	4 253	4 950	6 781	286	23	2 217	2 900	4 953
Developing countries	**49 023**	**38 256**	**39 725**	**7 861**	**5 557**	**2 405**	**24 140**	**29 057**
Latin American countries	**29 567**	**15 592**	**17 464**	**288**	**4 048**	**140**	**5 773**	**12 781**
Argentina	4 306	1 250	4 212	—	3 700	—	3 700	12
Brazil	5 512	4 475	5 649	—	—	—	—	6 586
Chile	1 194	1 408	784	—	—	—	—	784
Colombia	276	552	589	50	—	—	124	589
Mexico	9 960	6 528	3 811	—	—	—	—	3 916
Venezuela	7 241	257	—	—	—	—	—	—
*Other***	2 980	2 020	2 219	238	348	140	1 949	892
Asian countries	**11 723**	**12 979**	**15 093**	**3 085**	**1 409**	**2 215**	**14 667**	**11 514**
India	555	468	585	117	41	21	517	501
Indonesia	1 822	2 368	1 921	21	—	—	451	1 873
Korea	3 277	4 257	4 291	314	581	449	4 634	4 796
Malaysia	2 872	2 167	2 501	—	850	—	1 702	1 743
Philippines	558	878	923	—	—	—	905	—
Thailand	414	747	1 221	50	71	214	1 101	905
Other	1 305	1 494	2 572	1 583	166	1 382	5 346	1 696
Middle Eastern and African countries	**7 533**	**9 685**	**6 368**	**495**	**20**	**50**	**3 699**	**4 762**
Algeria	80	1 550	821	—	—	—	1 300	200
Nigeria	2 309	2 043	955	—	—	—	—	985
Turkey	977	1 100	747	—	20	—	624	716
Other	4 206	4 244	3 845	495	—	50	1 776	2 861
Eastern European countries	**1 479**	**1 294**	**3 244**	**1 125**	**588**	**52**	**4 082**	**2 495**
Hungary	580	741	1 344	475	368	52	1 148	1 265
Soviet Union	1 131	93	1 051	150	200	—	1 189	904
*Other****	8	460	849	500	20	—	1 745	326
International organizations****	**11 353**	**16 201**	**13 287**	**2 259**	**1 434**	**1 751**	**15 638**	**8 502**
By type of instrument and currency								
International bond issues	**78 042**	**76 329**	**107 411**	**11 524**	**13 493**	**13 213**	**121 147**	**74 872**
Eurobonds	57 643	49 503	73 405	9 603	11 345	10 647	99 741	53 862
U.S. dollar	43 559	38 428	60 516	6 542	9 127	8 715	73 382	43 732
German mark	2 588	3 817	4 454	781	109	656	4 998	3 214
British pound	748	1 947	3 997	596	929	804	3 800	2 552
Japanese yen	514	212	1 212	430	700	121	4 353	409
European composite units	1 369	2 213	1 522	744	437	746	5 278	2 048
Other	1 966	1 178	3 704	1 277	1 043	689	7 929	1 907
Foreign bonds	20 397	27 826	34 006	1 921	2 148	2 566	21 407	21 010
U.S. dollar	5 946	4 545	9 487	1 440	—	145	3 441	3 787
German mark	2 952	2 671	2 743	99	169	121	1 373	1 409
British pound	1 214	811	1 293	143	140	101	674	1 019
Swiss franc	11 402	14 299	12 629	1 230	859	1 035	9 140	10 554
Japanese yen	3 418	3 772	4 608	538	576	870	5 050	3 061
Other	1 435	1 730	1 677	273	184	295	1 729	1 180
International bank credits	**92 585**	**82 074**	**125 922**	**8 125**	**16 205**	**6 306**	**75 873**	**99 929**
Eurocurrency credits	85 015	74 220	112 605	7 889	15 572	5 575	71 066	88 308
Foreign credits	7 570	7 852	13 317	237	631	731	4 807	11 621
Total	**170 627**	**158 403**	**233 333**	**19 649**	**29 698**	**19 519**	**197 020**	**174 801**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON countries. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1982	1983	1984	1985						
	Dec	Dec	Dec	Mar	Apr	May	Jun	Jul	Aug	Sep
Eurodollar										
overnight	9.25	9.50	8.63	8.81	8.31	7.50	8.00	8.50	7.56	8.38
one month	9.13	9.69	8.38	8.69	8.38	7.56	7.63	7.94	7.94	7.94
three months	9.19	9.81	8.63	9.00	8.69	7.63	7.75	8.19	8.00	8.06
six months	9.50	10.06	9.13	9.44	9.00	7.88	7.88	8.44	8.13	8.31
twelve months	9.63	10.38	9.81	10.13	9.75	8.38	8.25	8.88	8.56	8.56
Euro-Canadian dollar										
one month	12.00	9.13	9.69	10.38	9.60	9.50	9.00	8.69	8.75	8.38
three months	12.00	9.88	10.81	10.56	9.81	9.50	9.38	8.94	8.94	8.69
six months	10.13	9.75	10.06	10.69	10.35	9.63	9.50	9.31	9.19	9.06
twelve months	10.25	10.06	10.44	12.00	10.75	9.94	9.63	9.50	9.50	9.38
Euro-French franc										
one month	21.00	13.13	10.69	10.63	10.31	10.13	10.50	14.00	9.88	9.63
three months	24.00	12.19	10.69	10.81	10.44	10.25	10.63	14.00	10.63	10.50
six months	22.00	12.31	11.00	11.25	10.75	10.38	10.75	13.75	11.50	10.88
twelve months	19.75	12.63	11.38	11.56	10.94	10.63	11.00	13.00	11.75	11.25
Euromark										
one month	5.88	5.25	5.50	5.69	5.75	5.50	5.44	4.69	4.50	4.44
three months	5.88	5.38	5.50	5.88	5.81	5.56	5.44	4.81	4.50	4.50
six months	5.94	5.13	5.50	6.00	5.88	5.50	5.50	4.94	4.56	4.63
twelve months	6.00	5.38	5.38	6.25	6.06	5.88	5.63	5.00	4.69	4.75
Euro-Dutch guilder										
one month	5.13	5.81	5.69	6.69	6.94	7.63	6.25	6.06	5.75	5.69
three months	5.13	6.00	5.75	6.81	6.94	6.88	6.69	6.00	5.69	5.69
six months	5.56	6.25	5.81	6.88	6.94	6.88	6.75	6.00	5.69	5.69
twelve months	5.63	6.38	5.94	6.94	7.00	6.81	6.69	6.00	5.69	5.69
Euro-Swiss franc										
one month	2.81	3.38	4.44	5.19	5.00	5.13	5.13	4.38	4.44	4.19
three months	3.25	3.75	4.56	5.50	5.19	5.13	5.25	4.50	4.56	4.50
six months	3.44	3.88	4.63	5.56	5.25	5.06	5.25	4.63	4.69	4.63
twelve months	3.44	3.94	4.69	5.44	5.25	5.00	5.25	4.69	4.63	4.63
Eurosterling										
one month	10.56	8.13	9.50	13.56	12.75	12.63	12.69	11.50	11.88	11.63
three months	10.44	8.31	9.88	13.19	12.69	12.44	12.44	11.19	11.63	11.50
six months	10.31	8.50	10.00	13.31	12.44	12.50	12.25	11.00	11.13	11.19
twelve months	10.31	8.81	10.19	11.94	12.13	12.01	11.94	10.88	11.06	11.00
Euroyen										
one month	6.75	6.25	6.13	6.25	6.13	6.31	6.13	6.25	6.44	6.75
three months	6.75	6.31	6.19	6.31	6.25	6.25	6.25	6.31	6.38	6.38
six months	7.10	6.38	6.13	6.31	6.31	6.25	6.25	6.25	6.31	6.38
twelve months	6.81	6.44	6.13	6.31	6.31	6.31	6.31	6.25	6.31	6.38
European currency unit										
one month	12.44	8.81	9.25	10.00	9.38	9.31	9.38	8.50	8.00	8.31
three months	12.31	9.19	9.38	10.13	9.38	9.31	9.38	8.50	8.50	8.50
six months	12.00	9.44	9.50	10.13	9.69	9.38	9.38	8.63	8.75	8.75
twelve months	11.19	9.63	9.63	10.25	9.88	9.69	9.38	8.75	8.88	8.88

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years, at or near end of month

	1983	1984	1985							
	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States companies										
Eurodollar	11.59	11.25	11.65	11.73	11.24	10.58	10.39	10.65	10.37	10.53
Euromark	7.34	6.95	7.57	7.35	7.11	6.90	6.91	6.74	6.67	6.74
Swiss franc	5.83	5.73	5.95	5.86	5.74	5.69	5.60	5.69	5.60	5.62
European governments										
Eurodollar	12.66	12.04	12.40	12.29	11.97	11.20	11.17	11.31	11.11	11.18
Euromark	8.12	7.39	7.88	7.61	7.54	7.37	7.38	7.17	6.89	6.96
Swiss franc	5.63	5.24	5.35	5.34	5.21	5.23	5.22	5.16	5.09	5.00
European currency unit	11.77	10.64	10.65	10.44	10.39	10.10	10.17	9.99	10.01	10.14

Central bank discount rates

at or near end of month

	1982	1983	1984	1985					Current	
	Dec.	Dec.	Dec.	May	Jun.	Jul.	Aug.	Sep.	Oct 25 1985	effective since
United States	8.50	8.50	8.00	7.50	7.50	7.50	7.50	7.50	7.50	May 17, 85
Canada	10.09	9.96	10.09	9.76	9.58	9.21	9.20	9.00	8.77	Oct 24, 85
Austria	4.75	3.75	4.50	4.50	4.50	4.50	4.00	4.00	4.00	Aug 19, 85
Belgium	11.50	10.50	11.00	9.50	9.25	9.50	10.00	9.50	9.00	Oct 17, 85
Denmark	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	8.60	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	Feb 1, 85
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	4.00	4.00	4.50	4.50	4.50	4.50	4.00	4.00	4.00	Aug 16, 85
Ireland	14.00	12.25	14.00	12.75	12.00	11.25	11.25	10.25	10.25	Sep 11, 85
Italy	18.00	17.00	16.50	15.50	15.50	15.50	15.50	15.50	15.50	Jan 4, 85
Netherlands	5.00	6.00	5.00	5.50	5.50	5.50	5.00	5.00	5.00	Aug 16, 85
Norway	8.00	8.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	14.00	25.00	25.00	23.00	25.00	25.00	23.00	23.00	23.00	Aug. 85
Spain	8.00	8.00	8.00	8.00	8.00	...00	8.00	8.00	8.00	Jul 26, 77
Sweden	12.00	8.50	9.50	11.50	11.50	10.50	10.50	10.50	10.50	Jul 12, 85
Switzerland	4.00	4.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	10.00	9.00	9.00	12.25	12.25	11.31	11.31	11.31	11.31	Jul 26, 85
Japan	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct 22, 83
New Zealand	11.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	13.45	18.50	21.75	20.25	19.25	19.25	16.50	16.50	14.50	Oct 22, 85
Argentina*	12.56	15.12	16.19	32.50	6.50	6.00	6.00	5.50	n.a.	Sep, 85
Korea	8.00	9.00	8.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	9.50	8.25	12.11	12.07	12.39	12.39	12.37	n.a.	n.a.	Aug. 85
Singapore	7.00	7.00	6.50	5.50	5.50	5.00	5.00	5.00	n.a.	Jul, 85
Thailand	10.50	11.50	12.00	12.00	12.00	11.00	11.00	11.00	11.00	Jul 26, 85
Venezuela	13.00	11.00	11.00	9.00	9.00	9.00	9.00	9.00	8.00	Oct 16, 85

*Percent per month

Day-to-day money rates

monthly averages

	1982	1983	1984	1985							
	Dec.	Dec.	Dec.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
United States	9.93	9.47	8.38	8.50	8.58	8.27	7.97	7.51	7.88	7.90	7.92
Canada	10.53	8.78	10.59	9.88	10.41	10.25	9.75	9.56	9.27	8.97	8.53
Austria	6.00	5.75	7.63	6.50	6.75	6.88	6.13	6.13	6.13	5.38	4.88
Belgium	8.28	7.39	9.12	8.99	9.13	9.43	8.84	8.00	6.97	8.17	7.91
Finland	11.50	10.70	10.07	14.18	14.00	13.96	13.80	13.77	13.60	13.43	13.11
France	12.88	12.27	10.93	10.69	10.67	10.48	10.17	10.22	9.88	9.68	9.57
Germany	5.15	5.61	5.62	5.78	5.85	5.70	5.67	5.52	5.16	4.83	4.59
Ireland	14.54	12.19	14.50	14.75	14.63	13.63	12.63	12.00	11.50	10.75	9.50
Italy	16.00	17.88	17.25	16.00	16.00	15.77	16.46	15.25	15.00	14.53	n.a.
Netherlands	5.81	5.84	5.50	5.75	6.93	6.74	7.15	6.81	6.63	5.92	5.74
Norway	11.06	12.30	12.50	10.80	11.60	13.40	12.20	13.00	12.60	12.75	12.00
Spain	15.61	16.17	12.11	12.12	11.99	10.42	12.55	13.93	12.39	12.99	10.86
Sweden	8.31	11.52	11.88	13.50	13.50	13.49	14.89	16.00	15.39	15.00	15.00
Switzerland	1.29	1.88	1.30	1.75	2.50	2.00	2.25	2.00	2.00	2.50	2.00
United Kingdom	8.70	7.78	8.31	11.94	10.60	12.38	11.26	10.17	12.45	11.25	9.89
Australia	11.04	4.56	10.68	11.14	13.34	14.78	15.12	15.27	15.10	n.a.	n.a.
Japan	6.92	6.44	6.41	6.16	6.42	6.07	6.01	6.13	6.17	6.17	6.41
South Africa	14.15	16.06	21.12	21.56	21.50	21.50	19.81	18.60	17.50	16.25	15.20
Argentina*	12.77	14.65	17.75	18.63	20.35	23.74	32.00	24.52	5.00	5.00	5.00
Brazil	150.42	184.60	272.00	287.93	337.15	346.05	302.31	239.40	214.19	n.a.	n.a.
Hong Kong	9.13	13.90	6.80	6.18	6.15	7.21	5.88	6.39	4.95	2.74	4.71
Korea	13.84	11.40	10.00	9.30	9.70	9.30	9.50	9.00	9.50	9.70	9.40
Philippines	16.12	31.16	15.22	19.80	27.80	25.97	25.12	25.95	20.36	18.39	n.a.
Singapore	11.45	7.05	6.01	6.07	5.30	4.69	5.75	5.18	4.94	4.37	n.a.

*Percent per month

Treasury bill rates

bond equivalent yields, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	8.15	9.28	7.99	8.87	8.42	8.08	7.63	7.05	7.40	7.36	7.13
Canada	9.80	9.71	9.84	11.27	10.40	9.77	9.51	9.33	9.06	8.95	8.75
Belgium	12.42	11.00	10.90	10.81	10.60	9.63	9.13	9.02	9.63	9.63	9.28
Ireland	15.25	12.01	16.10	14.54	13.77	13.43	12.21	11.29	10.38	10.43	9.89
Italy	19.11	16.95	14.69	13.46	13.38	14.31	14.22	14.18	14.08	13.99	13.82
Netherlands	5.63	5.63	5.88	6.51	6.75	7.00	6.75	6.75	6.25	5.75	5.75
Spain	15.28	14.46	n.a.	12.04	10.45	11.85	10.33	10.27	n.a.	n.a.	n.a.
Sweden	12.90	11.75	11.82	14.26	14.33	14.47	16.48	16.64	15.04	15.00	15.33
United Kingdom	9.96	9.04	9.53	13.01	12.77	12.26	12.16	12.33	11.30	11.31	11.38
Australia	9.39	8.64	12.27	13.51	14.82	14.72	14.25	13.70	14.70	16.17	n.a.
Japan	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	7.90	13.50	17.45	19.50	23.40	21.00	21.00	24.00	n.a.	n.a.
South Africa	14.62	16.43	21.94	24.51	22.45	21.92	18.78	16.00	16.45	15.72	15.22
Brazil	116.40	179.15	273.03	273.03	273.03	273.03	215.12	209.88	223.13	n.a.	n.a.
Mexico	57.44	54.78	68.62	50.00	58.15	57.66	63.34	62.47	74.99	70.56	n.a.
Philippines	14.54	15.99	41.14	30.02	34.28	34.22	35.32	33.43	29.59	21.60	n.a.
Singapore	2.74	2.59	2.91	2.93	2.97	2.94	3.07	2.79	2.68	2.79	2.97

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	8.94	9.80	8.24	9.18	8.94	8.69	7.70	7.70	7.85	7.91	7.89
Canada	9.93	9.87	10.19	11.80	10.55	10.20	9.80	9.70	9.25	9.15	8.95
Belgium	12.35	11.00	10.70	10.70	10.45	10.10	9.25	8.90	8.90	9.60	9.35
France	12.15	12.19	10.69	10.69	10.63	10.31	10.25	10.25	10.00	9.75	9.44
Germany	6.20	5.30	5.75	6.25	6.70	5.90	5.80	5.60	5.00	4.65	4.65
Ireland	15.75	12.19	15.13	14.75	13.75	12.75	12.75	11.69	10.50	10.38	10.25
Italy	19.00	17.88	17.25	16.13	16.13	15.25	15.00	14.75	14.26	14.25	13.38
Netherlands	5.25	6.00	6.75	7.19	6.88	7.13	6.94	6.69	6.13	5.75	5.81
Portugal	15.05	24.11	24.57	24.53	24.61	24.52	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	16.55	19.48	12.13	12.22	12.15	12.34	12.49	14.04	n.a.	n.a.	n.a.
Switzerland	3.88	3.66	5.00	6.10	5.75	5.38	5.38	5.38	5.38	4.63	4.69
United Kingdom	10.50	9.31	9.88	13.68	13.06	12.56	12.44	12.44	11.13	11.56	11.50
Australia	10.65	9.50	12.50	14.60	15.60	15.70	15.05	15.55	15.15	n.a.	n.a.
Japan	6.90	6.42	6.29	6.32	6.27	6.25	6.25	6.30	6.20	6.30	6.33
New Zealand	16.75	12.10	15.25	22.75	25.00	23.50	23.20	24.00	25.30	n.a.	n.a.
South Africa	15.26	19.12	22.76	24.12	23.50	22.09	19.35	17.35	17.80	16.50	15.25
Chile	55.00	20.68	20.68	30.42	27.66	38.93	32.85	n.a.	n.a.	n.a.	n.a.
Hong Kong	10.13	12.84	8.26	7.84	8.26	7.35	8.96	7.00	8.11	5.41	6.57
Indonesia	18.50	19.50	19.00	20.50	22.00	19.00	18.00	17.50	15.50	15.50	15.00
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	8.50	9.80	10.50	9.30	10.01	9.50	12.00	7.75	7.00	8.50	7.50
Philippines	15.96	15.61	33.21	26.75	24.73	23.43	26.77	24.90	21.25	20.48	n.a.
Singapore	8.69	8.44	7.00	6.44	6.06	5.31	5.26	5.31	5.13	4.56	6.38
Taiwan	9.94	7.65	8.07	9.14	7.76	6.45	6.98	6.47	6.79	8.33	6.81
Thailand	12.25	16.00	12.00	17.75	16.50	16.00	14.50	13.00	12.00	12.00	12.00

Commercial bank deposit rates

at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	8.25	9.70	8.35	9.25	8.80	8.25	7.50	7.57	7.95	7.88	7.80
Canada	9.88	9.88	10.00	11.75	10.50	10.15	9.75	9.65	9.20	9.10	8.90
Austria	6.25	6.50	7.50	6.88	6.88	6.88	6.50	6.50	6.38	5.75	5.25
Belgium	10.25	11.25	10.63	10.87	10.25	9.50	9.00	8.75	9.50	9.31	9.13
Denmark	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	5.00	5.00	7.00
Finland	4.25	5.25	5.25	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
France	8.24	7.66	7.04	6.90	6.90	6.82	6.67	6.69	n.a.	6.49	n.a.
Germany	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Ireland	13.25	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75
Italy	15.25	13.25	11.44	11.00	10.66	10.66	10.66	10.66	10.66	10.66	n.a.
Netherlands	6.50	6.13	5.63	7.00	6.81	7.00	6.81	6.63	6.00	5.69	5.69
Norway	13.40	12.75	12.13	11.90	12.75	12.75	12.40	12.25	12.25	12.00	12.00
Portugal	26.00	21.50	21.50	27.00	27.00	27.00	27.00	27.00	27.00	24.50	n.a.
Spain	13.13	12.62	11.64	11.32	10.61	10.61	10.83	10.55	n.a.	n.a.	n.a.
Sweden	12.15	11.70	11.45	13.50	13.50	13.77	16.13	16.67	14.95	14.61	14.90
Switzerland	4.00	3.50	3.50	2.75	3.00	4.13	4.88	5.13	4.63	4.38	4.25
United Kingdom	10.31	9.81	9.88	13.75	13.00	13.00	12.38	12.31	11.06	11.31	11.28
Australia	13.00	10.50	13.75	13.50	13.25	13.00	14.00	15.40	14.65	n.a.	n.a.
Japan	7.00	6.50	6.38	6.50	6.50	6.06	6.38	6.30	6.35	6.41	6.43
New Zealand	18.00	11.50	13.25	16.13	20.00	23.00	23.50	23.00	24.50	n.a.	n.a.
South Africa	10.63	22.13	20.69	23.75	21.63	19.63	20.88	18.00	18.50	17.25	16.00
Argentina*	5.38	14.00	13.33	13.55	15.38	29.33	32.88	7.00	7.00	7.00	5.30
Brazil	21.00	23.50	23.00	25.00	25.00	25.50	25.50	24.00	23.00	n.a.	n.a.
Chile	47.00	23.12	20.88	30.29	30.00	38.81	32.85	28.80	29.20	n.a.	15.08
Hong Kong	7.50	9.38	7.38	5.42	7.50	5.50	4.00	3.50	3.00	3.25	3.25
Korea	7.50	7.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	8.40	7.75	8.13	8.00	8.00	8.42	8.67	8.17	8.17	8.17	8.17
Mexico	52.34	27.15	47.41	47.31	51.63	54.52	55.90	59.50	64.35	65.20	65.80
Philippines	14.15	14.96	11.07	24.36	22.19	23.69	21.40	25.95	19.60	17.35	n.a.
Singapore	8.25	7.44	6.13	6.01	5.82	5.91	4.83	5.07	4.88	4.51	6.38
Taiwan	7.50	7.00	6.50	6.50	10.63	9.25	6.25	6.00	6.00	6.00	5.75
Thailand	10.00	10.00	13.25	13.00	13.00	12.50	13.50	13.50	10.50	10.00	10.50
Venezuela	13.00	12.00	13.13	13.00	11.50	11.63	10.00	10.00	10.00	10.00	10.00

*Percent per month

Domestic government bond yields

long-term issues, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	10.61	12.00	11.51	12.29	11.92	11.64	10.71	10.62	10.91	10.63	10.67
Canada	11.64	12.03	11.66	12.20	11.93	11.56	10.76	10.85	10.91	10.79	10.96
Austria	8.61	8.22	8.04	8.00	8.36	8.36	8.01	7.87	7.77	7.58	7.34
Belgium	12.86	11.80	11.28	11.68	11.69	11.49	10.78	10.34	10.50	10.59	10.42
Denmark	20.14	12.86	14.80	13.74	13.49	12.67	12.26	12.16	10.76	10.72	11.23
Finland	10.84	11.50	10.73	10.81	10.78	10.84	10.45	10.46	10.48	10.42	10.35
France	15.40	13.60	12.52	12.25	12.27	11.96	11.12	12.12	11.87	11.96	11.97
Germany	7.90	8.38	8.11	7.31	7.44	7.30	7.10	7.02	6.68	6.52	6.55
Ireland	14.53	14.25	13.90	14.14	13.69	14.08	13.17	12.71	11.70	11.74	11.92
Italy	15.52	17.80	14.58	13.25	12.48	13.53	13.85	13.87	14.08	14.04	13.73
Netherlands	9.15	8.98	7.58	7.93	8.09	7.73	7.58	7.39	7.23	6.92	6.87
Norway	13.38	12.50	12.00	12.00	12.38	12.38	12.38	12.70	12.70	12.70	12.70
Portugal	18.63	22.11	22.23	20.62	20.21	20.84	21.62	22.23	20.34	n.a.	n.a.
Spain	15.92	17.25	13.93	13.44	13.49	13.41	13.56	13.79	14.48	14.37	n.a.
Sweden	13.01	12.50	12.04	13.23	12.93	13.42	13.70	13.48	12.98	13.22	13.54
Switzerland	4.23	4.53	4.80	4.66	4.89	4.75	4.74	4.78	4.80	4.69	4.71
United Kingdom	10.62	9.94	10.25	10.56	10.34	10.42	10.53	10.45	10.16	10.22	10.15
Australia	13.00	13.85	13.40	13.70	13.85	14.09	13.70	13.50	13.50	13.95	n.a.
Japan	7.96	7.45	6.36	7.19	6.97	6.85	6.60	6.53	6.38	6.46	6.36
New Zealand	12.84	10.50	16.90	17.35	17.50	17.95	19.64	17.33	17.86	17.80	n.a.
South Africa	11.31	13.84	16.55	17.85	16.85	16.40	15.85	15.15	15.90	16.20	16.65
Philippines	13.64	14.47	18.54	24.20	13.69	12.75	n.a.	12.00	13.29	n.a.	n.a.
Venezuela	15.00	13.50	14.00	13.50	13.50	12.50	12.50	12.50	12.00	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1982	1983	1984	1985							
	Dec.	Dec.	Dec.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
United States	11.50	11.00	10.75	10.50	10.50	10.50	10.00	9.50	9.50	9.50	9.50
Canada	12.50	11.00	11.25	11.50	11.75	10.75	10.50	10.50	10.50	10.25	10.25
Austria	11.75	9.50	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Belgium	15.50	13.75	14.00	14.00	14.00	13.50	12.50	12.00	12.00	12.50	12.00
Denmark	14.00	10.00	10.50	10.50	11.00	10.50	10.50	10.50	9.50	9.50	8.50
Finland	8.30	10.45	10.45	10.40	10.36	10.38	10.37	10.37	10.40	10.43	n.a.
France	12.25	12.25	12.00	11.50	11.50	11.50	11.25	11.25	10.85	10.85	10.85
Germany	8.75	7.75	7.75	7.25	7.75	7.75	7.75	7.75	7.75	7.25	7.25
Ireland	16.50	13.75	15.75	15.75	15.75	14.50	14.50	14.00	13.25	13.50	12.50
Italy	20.75	18.75	18.00	17.00	17.00	17.00	17.00	17.00	17.00	16.00	n.a.
Netherlands	8.25	7.00	8.25	7.75	7.50	7.13	7.75	7.75	7.25	6.25	6.25
Norway	14.50	13.50	13.38	13.88	12.50	12.50	12.90	12.70	12.90	13.10	12.70
Portugal	23.50	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	26.00	n.a.
Spain	13.00	25.82	13.69	13.71	13.57	13.75	13.76	14.55	n.a.	n.a.	n.a.
Sweden	16.00	13.50	14.50	14.50	14.50	14.56	16.25	16.25	15.25	15.25	15.25
Switzerland	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	10.00	9.00	9.50	14.00	13.00	12.50	12.50	12.50	11.50	11.50	11.50
Australia	13.00	12.75	13.50	14.75	16.00	16.50	16.75	17.75	17.50	17.75	18.25
Japan	6.28	5.89	5.70	5.70	5.70	5.70	5.69	5.69	5.69	5.78	5.70
New Zealand	13.00	11.00	14.00	19.00	17.00	n.a.	25.00	25.00	24.00	n.a.	n.a.
South Africa	18.00	20.00	24.00	25.00	25.00	25.00	23.00	22.00	21.00	21.00	19.50
Argentina*	9.00	15.50	32.25	23.84	26.71	32.47	37.91	8.50	8.50	9.00	5.75
Brazil	23.81	24.00	31.00	29.62	30.96	26.00	29.50	25.00	24.56	n.a.	n.a.
Chile	64.11	30.90	60.82	47.44	51.00	51.16	46.15	47.28	51.47	n.a.	35.53
Hong Kong	10.50	13.50	11.00	10.00	9.50	9.00	8.50	8.00	6.00	7.00	7.00
Indonesia	22.00	19.75	23.50	23.50	23.50	23.00	22.00	21.50	20.75	20.25	19.50
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.50	11.00	12.00	12.00	12.00	12.00	12.00	11.00	11.00	11.00	11.00
Mexico	46.12	56.44	47.54	47.53	49.36	51.93	53.76	54.92	57.00	59.06	60.98
Philippines	*8.00	16.00	44.00	32.00	24.00	34.00	32.00	32.00	27.00	23.00	n.a.
Singapore	9.33	8.95	9.40	9.03	9.03	8.73	8.48	8.28	8.03	7.28	7.20
Taiwan	10.75	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.75
Thailand	16.00	16.00	16.50	16.50	17.00	17.00	16.50	16.50	16.50	15.50	15.50
Venezuela	17.00	16.00	16.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00

*Percent per month

Domestic corporate bond yields

long-term issues, at or near end of month

	1982	1983	1984	1985							
	Dec.	Dec.	Dec.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
United States	11.75	12.63	12.25	13.00	12.50	12.38	11.25	11.25	11.65	11.38	11.50
Canada	12.74	12.83	12.42	12.89	12.46	12.24	11.34	11.27	11.62	n.a.	n.a.
France	15.81	14.35	12.94	12.88	12.54	12.40	12.20	12.19	13.06	12.17	12.36
Germany	8.20	8.30	7.20	7.25	7.30	7.30	7.20	7.10	7.10	6.90	6.80
Netherlands	7.80	8.51	7.61	8.00	8.22	7.87	7.62	7.41	7.28	7.09	n.a.
Norway	14.13	13.25	12.75	12.75	13.25	13.25	13.25	13.50	13.50	13.50	13.50
Spain	17.10	19.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	13.37	12.81	12.00	12.67	13.31	13.19	13.80	13.75	13.25	13.25	13.50
Switzerland	5.80	4.92	5.09	5.10	5.24	5.34	5.18	5.15	5.09	5.06	5.02
United Kingdom	12.34	11.57	11.94	11.98	11.55	11.56	11.61	11.54	11.22	11.22	11.17
Japan	7.55	7.09	6.21	6.98	6.93	6.82	6.70	6.63	6.55	6.46	6.36
Korea	16.00	14.20	13.00	14.70	14.70	14.60	14.70	14.30	14.00	13.90	13.80
Venezuela	18.00	16.00	18.00	18.00	18.00	17.00	17.00	17.00	17.00	17.00	17.00

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